The biodiesel market in Belgium

Belgian biodiesel production started up in 2006. Biodiesel is available at the pump in Belgium since November 2006.
A number of large production facilities were built following the outcomes of the Government call for tenders. Many industrial investments are currently in perspective. The 2006 biodiesel production reached 25 000 tonnes, compared to only negligible quantities the year before. Production capacity at July 2007 stands at 335 000 tonnes/year compared to 85 000 in 2006. Capacities could reach a much higher figure in 2008 (some 660 000 tonnes/year) if all announced projects are effectively implemented.

Legislative framework

Legislative framework in favour of biofuels is a combination of detaxation and production quotas. So far, no mandatory blending applies.

Transposition of Directive 2003/30 and national indicative targets

Belgium submitted its first, second, third and fourth report under Directive 2003/30.

Detaxation schemes in favour of biofuels/biodiesel

Directive 2003/96/EC has been transposed in Belgian law by the Royal Decree of 29 February 2004, the Planning Acts of 27 December 2004, 11 July 2005, 27 December 2005 and recently the Act of 10 June 2006. A reduced excise rate for biodiesel is in effect since November 1st, 2006.

The correspondent excise reduction for blends will be increased in a way to maintain a full exemption for the FAME component.

The legislation also contains some provision that could enable higher tax exemptions for higher blends (such as B30), but this will need a further governmental decree to be effectively applicable.

The current excise rates (in effect as of 5th of March 2007) for biodiesel is to be found in the article 419 of the Programme-Law of 27 December 2004, last modified by the law of 25 February 2007 article 2, 3° :

– excise rate (*droit d'accise*): 198,3148 €/m³

– special excise (*droit d'accise spécial*): 103,7202 €/m³

– energy tax (*cotisation sur l'énergie*): 14,8736 €/ m³

A biodiesel blend with a FAME content of at least 4,29% is thus levied a tax of €317/m³. In July 2007, the excise on diesel amounted to 331,11 €/ m³.

Mandates

No blending mandate applies in Belgium sofar.

Quotas

In June 2006, the Belgian Parliament adopted the implementation rules detailing the provisions for biofuels amounts to be granted detaxation in the framework of a call for tender starting November 1st 2006.

The following quantities were allocated as quotas:

-November 1st 2006/ September 30th 2007: 286 000 m³

-October 1st 2007/ December 31st 2008: 475 000 m³

-For the period 2009/2012: 380 000 m³ per year

-January 1st 2013/ September 30th 2013: 284 000 m³

In October 2006, the quotas for the period November 1st 2006/ September 30th 2007 were announced. The following companies have been awarded a biodiesel quota: Neochim in Feluy (125 000m³), Oleon in Ertvelde (72 000m³), Flanders Bio Fuel in Gistel (40 680m³) and Proviron in Oostende (48 320m³).

In December 2006, the overall quota of 2 279 000m³ for the period starting October 1st 2007 and ending September 30th 2013 have been announced. The following companies have been awarded a biodiesel quota: Bioro (988 000m³), Proviron (257 000m³), Neochim (650 000 m³) and Oleon (384 000m³).

Direct subsidies

Belgian farmers growing energy crops for biodiesel production benefit from the EU incentive of 45€/hectare.

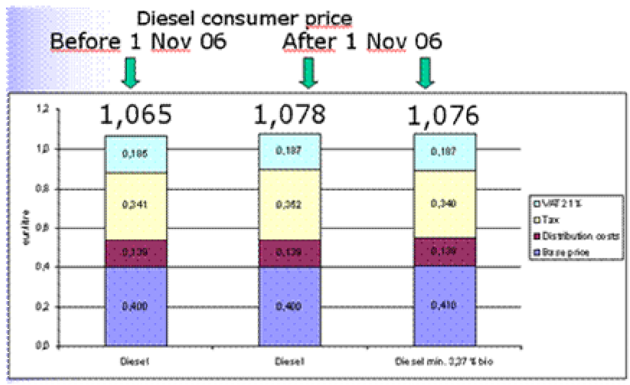

Figure 1. Price of diesel for final consumers before and after November 1st, 2006 in Belgium

SWOT analysis

Strengths

✓There is a strong governmental involvement in favour of biofuels across the country.

✓The market is protected by a production quota.

Weaknesses

✓Belgium will have to rely heavily on imports to fulfill ambitious biodiesel production targets due to limited arable crops area available. Small farm size and low yields add to the problem. EU premium for energy crop production (45 euros/hectare) is considered an insufficient incentive, especially for small agricultural producers. In 2005, Belgium produced 54 000 tonnes of oilseeds, while imports of rapeseeds reached 765 000 tonnes the same year.

✓*FEDIOL*

✓The biodiesel quota has been awarded too late in 2006 for producers to react quickly. Therefore supply difficulties arise for fuel companies wanting to market biodiesel blends.

✓No blending obligation applies for fuel suppliers.

✓No tax exemption is granted for higher blends.

Opportunities

✓The proximity of the Belgian (Antwerp) and Dutch (Rotterdam, Amsterdam) ports will ease the import of feedstock for biodiesel production, which should allow production to catch up with existing capacities.

✓Belgium has an important potential for the development of biodiesel from waste vegetable oil (see below).

Threats

✓With high price of rapeseed, biodiesel becomes less competitive and some crushing facilities have stopped production.

✓Due to the shortages in biofuel feedstock, Belgium could in the future rely extensively on imports of unsustainable produced biomass such as palm oil.

✓There is a lack of interest from end users: except for Total, fuel suppliers do not want to blend biodiesel, arguing that a lot of practical and logistical problems remain (supply of biodiesel, storage and blending facilities, transport infrastructure...)

✓Public transportation companies show no real interest for biodiesel. As a matter of example the company TEC will buy 270 new vehicles to be operated in the years to come, none of which will be compatible with blends of biodiesel above 5%. The same reluctance to go ahead with biodiesel exists by the STIB and De Lijn companies.